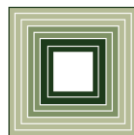


North Carolina Economic Development Incentive Programs



Joint Appropriations Subcommittee on
Natural and Economic Resources
March 22, 2011



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Today's Agenda

1. Existing Economic Development Grant & Loan Programs
2. Existing Economic Development Tax Credits
3. Evaluation and Recommendations from UNC Center for Competitive Economies Study



Commerce Grant & Loan Programs

- Job Development Investment Grant (JDIG)
- One North Carolina Fund
- Job Maintenance and Capital Development
- Industrial Development Fund (IDF)
- IDF Utility Account
- One NC Small Business
- Green Business Fund

Statutory References

Development Tier Designation - G.S. 143B-437.08

Economic Development Board - G.S. 143B-434

Economic Investment Committee - G.S. 143B-437.54

Green Business Fund - G.S. 143B-437.5

Industrial Development Fund - G.S. 143B-437.01

Job Development Investment Grant Program - G.S. 143B-437.50

Job Maintenance and Capital Development - G.S. 143B-437.012

One North Carolina Fund - G.S. 143B-437.70

One NC Small Business - G.S. 143B-437.80

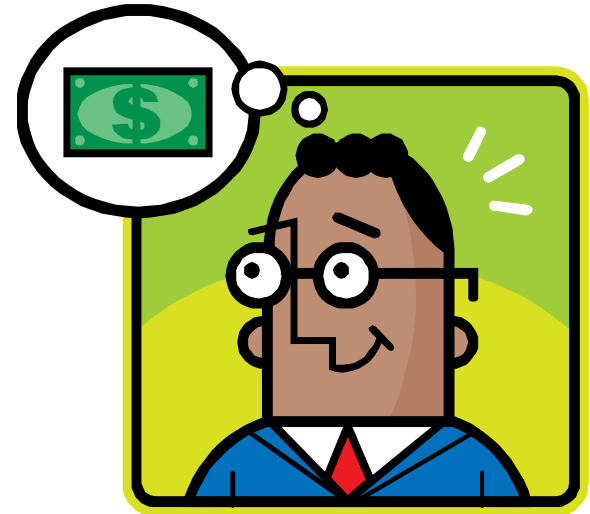
The Tier System

Based on ranking of:

- Unemployment
- Household Income
- Population Growth
- Property Value per Capita
- Adjustments made on population size

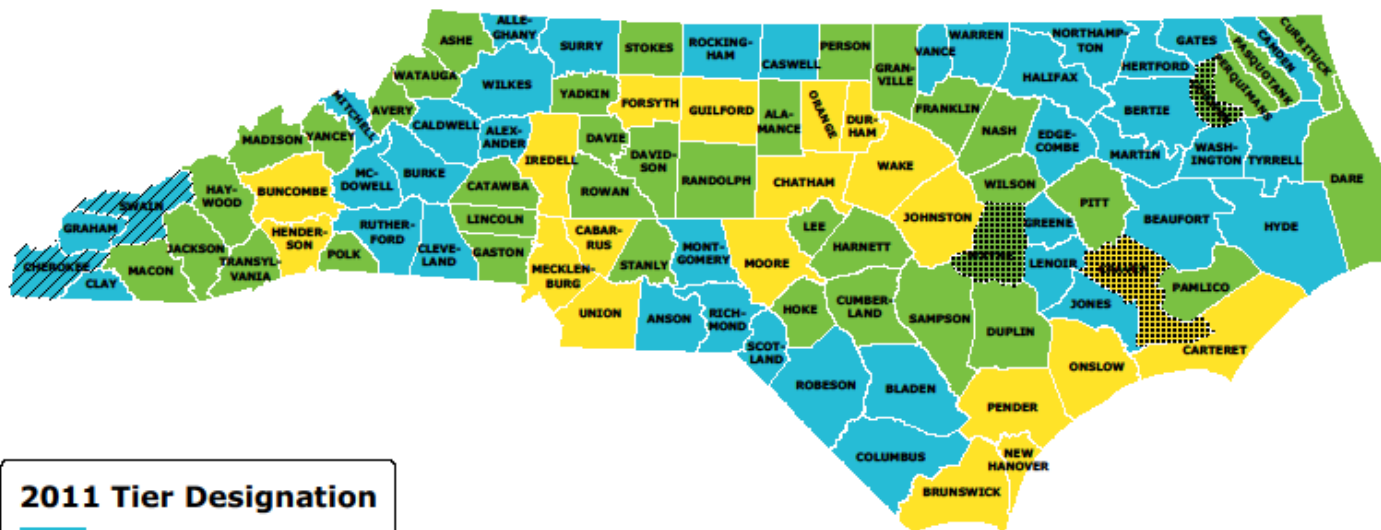
Rankings for each are added together

- Higher total = greater distress level
- Tier 1 = most distressed
- Tier 3 = least distressed



Tier Map

2011 Article 3J County Tier Designations



2011 Tier Designation

■ Tier 1

■ Tier 2

■ Tier 3

Tier Change

Down



THE FIVE

**in NORTH
CAROLINA**

Economic Investment Committee (EIC)

- Five Members
 - Secretary of Commerce
 - Secretary of Revenue
 - Director of the Office of State Budget and Management
 - One Speaker appointee
 - One President Pro Tempore appointee
- Two-year terms
- Meetings of the Committee are subject to open meetings and public record requirements
 - With economic development project restrictions

Job Development Investment Grant (JDIG)

- Discretionary Grant Program
- Based on a % of personal income tax withholdings
- Created in 2002; sunsets January 1, 2016
- Only available when the project would not locate in NC “*but for*” the grant
- Recipients chosen by Economic Investment Committee

JDIG Eligibility

- Tier 1 – create at least 10 new jobs
- Tiers 2 & 3 – 20 new jobs
- Not a retail business; not a sports team (unless motorsports)
- Health Insurance
- No OSHA violations

JDIG Terms

Grant Amounts

- Determined by percentage of withholdings (10% - 75%)
- 25% transferred to Utility Account if Tier 3
- 15% transferred to Utility Account if Tier 2

Other Guidelines

- No more than 25 new grants per year
- Grant agreement can't exceed 12 years
- Binding contractual agreements; no “subject to appropriations” language in contracts
- Clawback language

JDIG Budget Actions

\$27.4 million recurring appropriation

- FY 2009-10: \$19 million
- FY 2010-11: \$20.8 million
- Governor Recommends:
 - FY 2011-12 - \$20.4 million
 - \$7 million NR reduction
- Commerce required to issue report by April 1 with recommended funding level

One NC

Discretionary Grant Program

- Subject to annual appropriations
- Created in 1993

Grant Uses

- Infrastructure development
- R&R to existing facilities
- Machine and equipment purchases



Requires Job Creation & Local Match

Grant recipients are chosen by EIC

One NC Budget

- Appropriations are made nonrecurring each year
- FY 2009-10: \$0
- FY 2010-11: \$12.5 million nonrecurring
- Governor Recommends
 - FY 2011-12: \$10 million nonrecurring

Job Maintenance and Capital Development (JMAC)

Created in 2007

- Existing companies in Tier 1 counties
- Company must invest \$200 m and maintain 2,000 jobs OR
- Company must invest \$65 M and maintain 320 jobs

Three Recipients:



JMAC Terms

- Agreements are for up to 10 years
- Bridgestone & Goodyear award amount is the least of
 1. 50% of the General Assembly appropriation for the year
 2. The eligible Grant Amount for the year
 3. \$4 million
- Domtar award amount is the least of
 1. The company's pro rated share of General Assembly appropriation for the year
 2. The eligible Grant Amount for the year
 3. \$1.5 million

JMAC Budget

- FY 2008-09: \$5 million NR
- FY 2010-11: \$6.5 million NR
 - \$3 million each to Bridgestone and Goodyear
 - \$500,000 to Domtar
- Governor recommends:
 - FY 2012-13: \$8.5 million NR

Industrial Development Fund (IDF)

Local Government Reimbursements

- Local grants for improved public infrastructure
- Local loans for building renovations or equipment purchases (privately owned)
- No assistance for purchase of land or buildings

Projects must be in Tier 1 or 2 county

No match in 25 most distressed counties

Funding level limited to lower of \$500 k per project or \$10,000 per job created



IDF Budget

- \$320,107 recurring General Fund appropriation
- \$25k - \$100k collected annually from loan repayments
- Governor Recommends
 - Eliminate General Fund appropriation & program

IDF Utility Account

Same requirements as IDF except:

- No wage standard
- May be used for job retention
- No job creation requirement

Grants given to local governments, not companies



Available in Tier 1 and 2 counties only

Used for construction of or improvements to:

- Water, sewer, gas, telecommunications, broadband, electrical utility
- Transportation infrastructure

IDF Utility Budget

- Funded by JDIG transfer
 - 25% of grants to Tier 3 counties
 - 15% of grants to Tier 2 counties
- Annual receipts range from \$1 to \$4 million

Questions

